

Message Text

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20

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PA-01 PRS-01 ABF-01 FS-01 /082 W

----- 051309

R 042108Z FEB 76

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 5975

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E.O. 11652: N/A

TAGS: EFIN, DR

SUBJECT: DOMINICAN PESO WEAKENS FURTHER

REF: SANTO DOMINGO 265

1. THE DOMINICAN PESO HAS WEAKENED FURTHER ON THE PARALLEL MARKET WITH THE RATE FOR BUYING DOLLARS IN CASH BEING \$RD1.20 AND FOR PURCHASING CHECKS AND MONEY ORDERS RD\$1.19 (OFFICIAL RATE IS ONE PESO FOR ONE DOLLAR).

2. COMMENT: THE PESO IS THE WEAKEST IT HAS BEEN SINCE TRUJILLO WAS ASSASSINATED 15 YEARS AGO. FOR YEARS THE PARALLEL RATE HOVERED AT RD\$1.10-RD\$1.12. A YEAR AGO LAST DECEMBER THE RATE WAS RD\$1.10 BUT IT HAS STEADILY DETERIORATED IN THE LAST 12 MONTHS.

3. THIS WEAKENING IS A REFLECTION OF (1) CONTINUED DEMAND FOR DOLLARS BROUGHT ABOUT IN PART BY A LARGE EXPANISON OF THE DOMESTIC MONEY SUPPLY (43.1 PERCENT INCREASE IN 12 MONTHS ENDING MARCH 1975 AND 26.8 PERCENT IN 12 MONTHS ENDING SEPTEMBER 1975, (2) HIGHER IMPORT COSTS AS A RESULT OF WORLD-WIDE INFLATION, (3) REFUSAL OF GODR TO RELEASE GREATER FOREIGN EXCHANGE BECAUSE

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OF CURRENT FOREIGN EXCHANGE HOLDINGS' BEING LESS THAN ONE

WEEK'S WORTH OF IMPORTS, AND (4) PRESIDENT BALAGUER'S FORCING GODR ENTITIES SUCH AS INESPRE TO GO TO PARALLEL MARKET IN ORDER TO GET ITS DOLLARS FOR IMPORTING FOODSTUFFS.

4. THE RD\$1.20 FIGURE SEEMS TO BE A PSYCHOLOGICAL BENCHMARK WHICH HAS SET OFF SOME COMMENT IN LOCAL FINANCIAL AND BUSINESS CIRCLES. SOME OF THE MORE PESSIMISTIC ARE WONDERING OUT LOUD WHETHER THE PARALLEL RATE MAY NOT GO TO RD\$1.30. ON THE OTHER HAD THE CENTRAL BANK HAS PAID NEARLY ALL PRIVATE DOLLAR CLAIMS THROUGH DECEMBER WHEREAS IN THE PAST THE TIME DELAY HAS SOMETIMES BEEN CONSIDERABLY LONGER. NEVERTHELESS, THIS FURTHER WEAKENING OF THE PESO COULD BE LOOKED UPON AS A SMALL CLOUD OVER AN ESSENTIALLY SOUND ECONOMY. IT PROBABLY PORTENDS ADDITIONAL SLOWNESS IN MAKING PAYMENTS ABROAD WHETHER TO THE PRIVATE SECOTR OR ON SUCH DEBTS AS PL-480 AND POSTAL TO THE USG SIMPLY BECAUSE OF LACK OF FOREIGN EXCHANGE.
HURWITCH

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Message Attributes

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Disposition Authority: blochd0
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